



Michigan
Office of the Auditor General
REPORT SUMMARY

Financial Audit

Including the Provisions of the Single Audit Act

Report Number:
391-0100-08

Department of Community Health

October 1, 2005 through September 30, 2007

Released:
October 2008

A Single Audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with requirements material to the financial schedules and/or financial statements; and assesses compliance with direct and material requirements of the major federal programs.

Financial Schedules:

Auditor's Report Issued

We issued an unqualified opinion on the Department of Community Health's (DCH's) financial schedules.

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Internal Control Over Financial Reporting

We identified significant deficiencies in internal control over financial reporting (Findings 1 through 6). We consider Finding 1 to be a material weakness.

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**Noncompliance and Other Matters
Material to the Financial Schedules**

We did not identify any instances of noncompliance or other matters applicable to the financial schedules that are required to be reported under *Government Auditing Standards*.

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Federal Awards:

Auditor's Reports Issued on Compliance

We audited 11 programs as major programs and reported known questioned costs of \$57.9 million and known and likely questioned costs totaling \$57.9 million. DCH expended a total of \$11.8 billion in federal awards during the two-year period ended September 30, 2007. We issued 8 unqualified opinions and 3 qualified opinions. The opinions issued by major program are identified on the back of this summary.

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Internal Control Over Major Programs

We identified significant deficiencies in internal control over federal program compliance (Findings 7 through 23). We consider Findings 7, 9, and 13 to be material weaknesses.

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Required Reporting of Noncompliance

We identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 (Findings 7 through 23).

Systems of Accounting and Internal Control:

We determined that DCH was in substantial compliance with Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws*. However, we did identify a significant deficiency (Finding 1).

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We audited the following programs as major programs:

<u>CFDA Number</u>	<u>Program or Cluster Title</u>	<u>Compliance Opinion</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Unqualified
93.044, 93.045, and 93.053	Aging Cluster	Unqualified
93.136	Injury Prevention and Control Research and State and Community Based Programs	Unqualified
93.268	Immunization Grants	Qualified
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	Unqualified
93.558	Temporary Assistance for Needy Families	Unqualified
93.767	State Children's Insurance Program	Qualified
93.777 and 93.778	Medicaid Cluster	Qualified
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	Unqualified
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Unqualified
93.994	Maternal and Child Health Services Block Grant to the States	Unqualified

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

October 31, 2008

Ms. Janet Olszewski, Director
Department of Community Health
Capitol View Building
Lansing, Michigan

Dear Ms. Olszewski:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Department of Community Health (DCH) for the period October 1, 2005 through September 30, 2007.

This report contains our report summary, our independent auditor's report on the financial schedules, and the DCH financial schedules and schedule of expenditures of federal awards. This report also contains our independent auditor's report on internal control over financial reporting and on compliance and other matters, our independent auditor's report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133, and our schedule of findings and questioned costs. In addition, this report contains DCH's summary schedule of prior audit findings, its corrective action plan, and a glossary of acronyms and terms.

Our findings and recommendations are contained in Section II and Section III of the schedule of findings and questioned costs. The agency preliminary responses are contained in the corrective action plan. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

